

Message Text

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C O N F I D E N T I A L STATE 042386

FOLLOWING REPEAT PARIS 4803 SENT ACTION SECSTATE INFO GENEVA
FEB 15.
QUOTE C O N F I D E N T I A L PARIS 04803

DEPARTMENT PASS EB FOR CROWE

PASS TREASURY

E.O. 11652: GDS
TAGS: UNCTAD, FR
SUBJECT: COMMON FUND AND DEBT -- GOF'S FEBRUARY 8
DISCUSSIONS WITH UNCTAD SYG COREA

REF: (A) GENEVA 01998; (B) BASORA-CROWE TELECON

A. COMMON FUND: ON FEBRUARY 15, PIERRE ARIOLA,
OF THE QUAI'S UN AND INTERNATIONAL ORGANIZATIONS
DIRECTORATE, PROVIDED THE FOLLOWING INFORMATION ON
THAT PORTION OF THE FEB 8 GOF-COREA TALKS WHICH
DEALT WITH THE COMMON FUND. HIS COMMENTS GENERALLY
CONFIRM THOSE CONTAINED IN THE REFTEL. ARIOLA
WAS PRESENT DURING THE DISCUSSION HE DESCRIBED.
ARIOLA SAYS THE OVERALL IMPRESSION CONVEYED TO
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THE GOF BY COREA WAS THAT HE WAS STILL VERY MUCH
THE G-77 SPOKESMAN, BUT HIS DELIVERY SEEMED TO
CONSTITUTE A COMBINATION OF INSTRUCTIONS FROM HIS
CONSTITUENTS AS WELL AS HIS PERSONAL VIEW.
HE WAS FIRM IN INSISTING THAT THE UNCTAD V (MANILA)
DEADLINE OF MAY 1979 BE MET WITH THE COMPLETION
OF THE WORK OF ESTABLISHING A COMMON FUND. ON

THE TIMING OF A RESUMED COMMON FUND NEGOTIATING CONFERENCE, ARIOLA SAID COREA APPEARED "ASSEZ PRESSE," AND ALTHOUGH PROBABLY ABLE TO HOLD OFF THROUGH APRIL, HE DEFINITELY APPEARED TO WANT TO GET THINGS GOING AGAIN BEFORE THE END OF MAY.

COREA'S REVIEW OF COMMON FUND MECHANICS, HOWEVER, EVIDENCED FLEXIBILITY AND AN APPARENT DESIRE TO WORK THINGS OUT. THE TRADITIONAL PROBLEMS REMAIN, BUT G-77 GOALS WERE NOT FORMULATED AS PRECONDITIONS, ACCORDING TO ARIOLA. ON FIRST WINDOW (BUFFER STOCKS) DEPOSIT RATIOS, COREA SAID THAT 75 PERCENT WAS TOO HIGH AND THAT A "FOURCHETTE" SYSTEM OF CONTRIBUTIONS WOULD HAVE TO PREVAIL -- WITH DEPOSITS PERHAPS AS LOW AS 15 PERCENT FOR SOME COMMODITIES. THE SECOND WINDOW (OTHER MEASURES) WAS AT THE TOP OF COREA'S LIST OF CONCERNS, ARIOLA SAID, AND THE UNCTAD SYG'S DELIVERY ON THIS SUBJECT WAS ABOUT WHAT ONE WOULD EXPECT INSOFAR AS IT PLEADED FOR RECOGNITION OF REAL POLITICAL AND DEVELOPMENTAL NEEDS OF MANY LDC'S IN ACHIEVING ADDITIONAL AID THROUGH THE "OTHER MEASURES" APPROACH. NEVERTHELESS, SYG MADE NO DEMANDS. RATHER HE SOUGHT COMPROMISE. THERE WAS, ARIOLA CONFIRMED, A WILLINGNESS TO ACCEPT A SECOND WINDOW UNDER THE AEGIS OF THE CONFIDENTIAL

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ICA'S (INTERNATIONAL COMMODITY AGREEMENTS) SO LONG AS EQUITABLE ARRANGEMENTS (FROM G-77 POINT OF VIEW) CAN BE WORKED OUT ON BUFFER STOCK FINANCING. ARIOLA SAID COREA WAS NOT CLEAR ON JUST HOW SECOND WINDOW SHOULD BE FINANCED, BUT THAT SYG DID SAY IT WAS "PSYCHOLOGICALLY IMPORTANT THAT GROUP-B NOW MAKE SOME KIND OF GESTURE TO G-77." (N.B. THIS LAST MAY IN FACT ALSO BE A GOF POSITION WHICH ARIOLA IS EMPHASIZING FOR OUR BENEFIT.)

B. UNCTAD DEBT DISCUSSIONS: PFAUWADEL OF MINFIN TELLS US THAT COREA SPENT RELATIVELY LITTLE TIME ON DEBT ISSUE AND SAID NOTHING NEW. HE EXPRESSED CONCERN ABOUT THE MARCH MEETING AND, AS CONDITIONS FOR ITS SUCCESS, REPEATED THE THEMES OF HIS LAST OPENING SPEECH IN GENEVA. FOR THE GOF DE LAROSIERE EXPRESSED THE VIEW THAT THE MARCH MEETING WOULD NOT PRODUCE MUCH BUT SHOULD NOT BE BUILT UP AS A SYMBOL OF SUCCESS OR FAILURE; IT IS SIMPLY ONE STEP IN A LONGER PROCESS. HE SAID THAT FRANCE WOULD STICK WITH THE EEC/US PROPOSAL. ASKED WHETHER HE COULDN'T MAKE A CONSTRUCTIVE NEW PROPOSAL,

COREA SAID HE WOULD SEND ARSENIS TO PARIS AND TO
WASHINGTON NEXT WEEK WITH THIS AS A GOAL. BUT THE
FRENCH DOUBT MUCH WILL COME OF THIS. THEY STILL
SEE COREA AS AN ADVOCATE FOR THE G-77 AND FOUND HIS
VISIT TO PARIS DISAPPOINTING AND OF NO REAL USE.
MYERSON UNQUOTE VANCE

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